

ARIZONA BOARD OF APPRAISAL
1400 West Washington, Suite 360
Phoenix, Arizona 85007
(602)542-1539 FAX (602)542-1598
Web Site: www.appraisal.state.az.us

MINUTES
REGULAR BOARD MEETING
THURSDAY, JANUARY 15, 2009, 9:00 AM.

Board Members Present at Roll Call in Person: Les Abrams; Gabe Corral; Victor Hartsfield; Myra Jefferson; Michael Marquess; Debbie Rudd. A quorum was present. Board Members Present after Roll Call: Cynthia Henry. Vacant Board Member Positions: Certified General Appraiser; Public.

Also Present at Roll Call: Debb Pearson, Executive Director; Rebecca Loar, Regulatory Compliance Administrator; Mary Williams, Assistant Attorney General. Also Present after Roll Call: Jeanne Galvin, Assistant Attorney General; Christopher Munns, Assistant Attorney General, Solicitor General's Office.

Les Abrams acted as Chairperson.

The Board pledged allegiance to the flag of the United States of America.

COMPLAINT REVIEW

Review and Action Concerning 2656, Janet M. Robbins.

Respondent appeared. Michael Marquess moved that the Board find Level II violations and reoffer Respondent a nondisciplinary letter of remedial action citing violations and extending the time to complete the required remedial education. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

Cynthia Henry joined the meeting.

Review and Action Concerning 2752, Lloyd K. Boswell.

Respondent appeared. Staff summary was read. Debbie Rudd moved that the Board find no violations and dismiss the complaint. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion.

APPROVAL OF MINUTES

Debbie Rudd moved that the Minutes of the December 5, 2008, Board Outreach Meeting be approved. Michael Marquess seconded the motion. The Board voted 5-0 in favor of the motion. Les Abrams and Gabe Corral abstained. Michael Marquess moved that the Minutes of the December 10, 2008, Regular Board Meeting be approved. Gabe Corral seconded the motion. The Board voted 5-0 in favor of the motion. Victor Hartsfield and Cynthia Henry abstained.

COMPLAINT REVIEW

Informal Hearing Concerning 2541, John T. Martell.

Respondent appeared, was sworn in, made statements to the Board and answered the Board's questions. Debbie Rudd moved that the Board find Level V violations; reoffer Respondent a Consent Agreement and Order citing the violations and providing for suspension; and in the event Respondent does not sign the agreement, the matter be referred to formal hearing before the Office of Administrative Hearings (OAH). Gabe Corral seconded the motion. The Board voted 6-1 in favor of the motion. Michael Marquess voted no.

Review and Action Concerning 2675, S. Deborah Talleri.

Respondent appeared and was represented by William Foreman, Esq. Debbie Rudd moved that the Board not accept Respondent's counteroffer; that the Board find Level III violations and reoffer Respondent a Consent Agreement and Order citing the violations and providing for probation, mentorship and education. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2307, Razvan P. Silvas.

Respondent appeared. Debbie Rudd moved that the matter be tabled to allow Respondent and his mentor to be present at the February meeting. Victor Hartsfield seconded the motion. The Board voted unanimously in favor of the motion.

Informal Hearing Concerning 2585, Scott J. Reischl.

Respondent appeared, was sworn in, made statements to the Board and answered the Board's questions. Debbie Rudd moved that the Board find Level III violations and offer Respondent a Consent Agreement and Order citing the violations and providing for probation, mentorship and education. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2379, Michael S. Mason.

Respondent did not appear. Debbie Rudd moved that the Board open complaint 2791 alleging noncompliance with the 3/12/08 Consent Agreement and Order of Discipline. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion.

Informal Hearing Concerning 2667, Chad R. Talbert.

Respondent appeared, was sworn in, made statements to the Board and answered the Board's questions. Gabe Corral moved that the Board find Level III violations and reoffer Respondent a Consent Agreement and Order citing the violations and providing for probation, mentorship and education; or in the alternative, a Consent Agreement and Order of Voluntary Surrender. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2757, Chris T. Currence.

Respondent appeared. Staff summary was read. Debbie Rudd moved that the Board find Level I violations and offer Respondent a nondisciplinary letter of remedial action citing violations and requiring remedial education. Michael Marquess seconded the motion. The Board voted 5-2 in favor of the motion. Gabe Corral and Myra Jefferson voted no.

Mary Williams, Assistant Attorney General, left the meeting; Jeanne Galvin, Assistant Attorney General, joined the meeting.

Informal Hearing Concerning 2710, Diane E. Waring.

Respondent appeared, was sworn in, made statements to the Board and answered the Board's questions. Gabe Corral moved that the Board find Level III violations and reoffer Respondent a Consent Agreement and Order citing the violations and providing for probation, mentorship and education; or in the alternative, a Consent Agreement and Order of Voluntary Surrender. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion.

PUBLIC ANNOUNCEMENTS AND CALL TO PUBLIC

Juan Restrepo, Certified Residential Appraiser #21439, filed a Call to Public and spoke to the Board concerning the Board's proposed substantive policy statement in conjunction with the Board's revised FAQs concerning supervising appraisers/trainees.

NEW BUSINESS

Discussion and Action Concerning Adoption of a Substantive Policy Statement in Conjunction with the Board's Revised FAQs Concerning Supervising Appraisers/Trainees Which Became Effective 11/20/08.

Debbie Rudd moved that the Board adopt proposed Substantive Policy Statement #5, Guidelines for Evaluating Experience from a Licensed or Certified Residential Appraiser Working toward a New Classification, as revised; and that notice of the substantive policy statement be emailed to the Board website News & Alerts subscribers. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion.

COMPLAINT REVIEW

Review and Action Concerning Superior Court Case CV-06-4140 (03F-1782-BOA/03F-1784-BOA)/2492, Felicia M. Coplan.

Respondent did not appear. Jeanne Galvin updated the Board concerning the court proceedings concerning CV-06-4140 (03F-1782-BOA/03F-1784-BOA). The Board noted the 12-month file review concerning 2492.

Review and Action Concerning 2488, Richard A. Webb.

Respondent did not appear. Jeanne Galvin updated the Board concerning Respondent's court proceedings and the Board noted the 12-month file review.

Review and Action Concerning 2554, Angus Hopkins III.

Respondent did not appear. Michael Marquess moved that the Board accept the investigative report. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion. Michael Marquess moved that the Board find Level II violations and offer Respondent a nondisciplinary letter of remedial action citing the violations and requiring remedial education. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2569, Safa P. Sitto.

Respondent did not appear. Debbie Rudd moved that the Board accept the investigative report. Cynthia Henry seconded the motion. The Board voted unanimously in favor of the motion. Debbie Rudd moved that the Board refer the matter to formal hearing before the Office of Administrative Hearings (OAH). Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2660, Timothy H. Shaw.

Respondent did not appear. Michael Marquess moved that the Board accept the investigative report with exceptions. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion. Debbie Rudd moved that the Board find Level III violations and offer Respondent a Consent Agreement and Order of Discipline providing for probation, mentorship and education. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2669/2679, Jason M. Maze.

Respondent did not appear. Michael Marquess moved that the Board accept the investigative report in 2669. Cynthia Henry seconded the motion. The Board voted unanimously in favor of the motion. Michael Marquess moved that the Board accept the investigative report in 2679 with exceptions. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion. Michael Marquess moved that the Board find Level III violations and offer Respondent a Consent Agreement and Order of Discipline providing for probation, mentorship and education. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2681, Leonid Zavlunov.

Respondent did not appear. Cynthia Henry moved that the Board accept the investigative report. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion. Debbie Rudd moved that the Board find Level III violations and offer Respondent a Consent Agreement and Order of Discipline providing for probation, mentorship and education. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2744, William G. Scott.

Respondent did not appear. Michael Marquess and Debbie Rudd recused themselves. Staff summary was read. Gabe Corral moved that the matter be referred to investigation. Myra Jefferson seconded the motion. The Board voted unanimously in favor of the motion.

Christopher Munns, Assistant Attorney General, Solicitor General's Office, joined the meeting.

Review and Action Regarding Issues Dealing With Formal Hearing Concerning 2311/2312/2313/2314/2315/2583/2584 (07F-2311-BOA/07F-2312-BOA/07F-2313-BOA/07F-2314-BOA/07F-2315-BOA/08F-2583-BOA/08F-2584-BOA, Shahab A. Mehkri.

Respondent appeared. Jeanne Galvin, Assistant Attorney General, represented the State. Christopher Munns, Assistant Attorney General, Solicitor General's Office, advised the Board. The Board, having reviewed the record, heard oral arguments on behalf of the State and Respondent. Debbie Rudd moved that the Board accept Findings of Fact 1-138 (and Applicable 2005 and 2006 USPAP Provisions 1-8) of the Administrative Law Judge with modifications to correct typographical errors and to be consistent with the evidence presented at the hearing as identified in the filings from the State and staff, to read as follows:

FINDINGS OF FACT

Background and Procedure

1. The Arizona State Board of Appraisal ("the Board") is the state agency authorized to regulate and control the licensing and certification of real property appraisers in the State of Arizona.¹
2. In March 2005, the Board certified Respondent Shahab ("Sam") A. Mehkri as a general residential appraiser and issued Certificate No. 21190 to him. Mr. Mehkri renewed the certification on March 27, 2007. The Certification will expire March 31, 2009.
3. A certified residential appraiser possesses the second highest certification and may appraise all residential properties having up to four units without regard to value or complexity.² In contrast, a licensed residential appraiser may appraise "noncomplex one to four residential units having a value of less than one million dollars and complex one to four residential units having a value of less than two hundred fifty thousand dollars."³ Certified general appraisers may appraise all real property, including commercial property and residential properties having more than four units.⁴
4. On December 27, 2006, the Board received a letter from Molly Woods, an appraiser in the Kingman, Arizona, area, to which was attached five of Mr. Mehkri's appraisal reports. According to Ms. Woods, the reports contained "several errors . . . that resulted in a report where the estimated value was not supported." Ms. Woods asked the Board "to determine whether or not [there was] a pattern that could harm the general public."
5. The Board opened Complaint Nos. 2311, 2312, 2313, 2314, and 2315 and assigned them to contract investigator Roy Edmund Morris, III to investigate. Mr. Morris has been a certified general appraiser since 1970 in Arizona and teaches on the Uniform Standards of Professional Appraisal Practice ("USPAP") in Arizona and world-wide, including qualifying courses and continuing education.
6. Mr. Morris is a member of many professional appraiser organizations, including the Appraisal Institute and the American Society of Appraisers. He is self-employed.

¹ See A.R.S. § 32-3601 *et seq.*, and the rules promulgated thereunder, found in the Arizona Administrative Code ("A.A.C.") at R4-46-101 *et seq.*

² See A.R.S. § 32-3612(A)(2) and (B)(1).

³ A.R.S. § 32-3612(A)(3).

⁴ A.R.S. § 32-3612(A)(1).

7. Mr. Morris issued reports on Case Nos. 2311, 2312, 2313, 2314, and 2315, which opined that Mr. Mehkri had violated applicable provisions of USPAP, Arizona regulations and Arizona statutes. The Board issued a complaint based on Mr. Morris' opinion. The five matters were referred to the Office of Administrative Hearings.

8. While the five matters were pending the Office of Administrative Hearings, on March 17, 2008, the Board received two anonymous complaints about Mr. Mehkri's appraisal of two residential properties in Peoria, Arizona. The two anonymous complaints were designated Case Nos. 2583 and 2584. The Board assigned the two new complaints to Mr. Morris to investigate.

9. Mr. Morris issued reports on Case Nos. 2583 and 2584, which opined that Mr. Mehkri had violated applicable provisions of USPAP, Arizona regulations, and Arizona statutes. The Board withdrew the five pending complaints from the Office of Administrative Hearings so that they could be consolidated for hearing with Case Nos. 2583 and 2584. After consolidation, the Board referred all seven cases to the Office of Administrative Hearings for hearing.

10. On October 31, 2008, the Board issued an Amended Complaint and Notice of Hearing in Case Nos. 07F-2311-BOA, 07F-2312-BOA, 07F-2313BOA, 07F-2314-BOA, 07F-2314-BOA, 07F-2315-BOA, 08F-2583-BOA, 08F-2584-BOA. The Amended Complaint set forth certain factual allegations and, based on these allegations, charged Mr. Mehkri with the following USPAP violations, based on the USPAP provisions that Mr. Morris cited in his investigative reports:

10.1 In Case No. 2311, USPAP, 2006 edition Standards Rule ("SR") 1-1(a), SR 1-1(b), SR 1-1(c), SR 1-4, SR 1-5(a), SR 1-5(b), SR 2-2(b)(viii), and the Ethics Rule—Record Keeping and Conduct;

10.2 In Case No. 2312, USPAP, 2006 edition SR 1-1(a), SR 1-1(b), SR 1-1(c), SR 1-5, SR 2-2(b)(viii), Supplemental SR analysis of subject's prior sale analysis of current contact, and the Ethics Rule—Record Keeping and Conduct;

10.3 In Case No. 2313, USPAP, 2006 edition SR 1-1(a), SR 1-1(b), SR 1-1(c), SR 1-5, SR 2-2(b)(viii), and the Ethics Rule—Record Keeping;

10.4 In Case No. 2314, USPAP, 2005 edition SR 1-1(a), SR 1-1(b), SR 1-1(c), SR 1-5(a), SR 1-5(b), Supplemental Standards Rule on subject listing and sale; SR 2-2(b)(viii), Supplemental Standard Rule, and the Ethics Rule—Record Keeping and Conduct;

10.5 In Case No. 2315, USPAP, 2005 edition SR 1-1(b), SR 1-1(c), SR1-5, and the Ethics Rule—Record Keeping;

10.6 In Case No. 2583, USPAP, 2006 edition SR 1-1(a), 1-1(b), SR 1-1(c), SR1-5(a), SR 1-5(b), SR 2-2(b)(viii), and the Ethics Rule—Record Keeping and Conduct;

10.7 In Case No. 2584, USPAP, 2006 edition SR 1-1(b), SR1-5(a), SR 1-5(b), SR 2-2(b)(viii), and the Ethics Rule—Record Keeping and Conduct.

11. A hearing was held on December 16 and 17, 2008 on the factual allegations and charged violations in the Amended Complaint. The Board presented the testimony of its Executive Director Deborah G. Pearson and contract investigator Mr. Morris and had admitted into evidence 36 exhibits. Mr. Mehkri testified on his own behalf and had admitted into evidence one exhibit.

12. Mr. Morris testified that the charged provisions of the 2005 and 2006 editions of USPAP are identical. Therefore, these provisions are not further distinguished in this decision.

13. Mr. Morris testified that, to prepare his investigative report to the Board in all seven cases, he reviewed the initial complaint, Mr. Mehkri's appraisal report, Mr. Mehkri's response to the complaint, Mr. Mehkri's workfile, physically inspected the exterior of the subject property and

comparable sales, and conducted research at appropriate county offices and the Multiple Listing Service ("MLS").

14. Mr. Morris testified that the workfile must document all the information in the appraisal report. The workfile may be printouts of relevant evidence or may be kept electronically and printed out on request.

15. The Board had admitted into evidence a copy of its Substantive Policy Statement #1 regarding Guidelines for Board Complaint Resolution, which the Board adopted on July 21, 2005. Substantive Policy Statement #1 described five levels of violations, from lowest to highest in terms of severity.

16. Level V of Substantive Policy Statement #1 was for errors or violations of USPAP, Arizona statutes, or the Arizona Administrative Code, as follows:

Significant violations found. Willful disregard of USPAP, A.R.S. or A.A.C. found.

Possible resolutions included a consent agreement, order of probation with education, mentorship and/or practice restrictions, suspension or revocation.

17. Ms. Pearson testified that the Board considered Mr. Mehkri's violations of USPAP to rise to Level V and sought revocation of his residential appraiser certificate as a result.

Additional Hearing Evidence on Consolidated Cases

Case No. 07F-2311-BOA

18. Case No. 2311 involved a summary appraisal report of a single-family detached residential property located in Kingman on 3035 E. Shavely Avenue. The effective date of Mr. Mehkri's report was May 1, 2006.

19. Mr. Mehkri's appraisal report cited Marshall & Swift Residential Cost handbook as the source of the cost data in the Cost Approach to Value. Marshall & Swift is a nationally recognized cost service that provides data to calculate the cost to replace existing structures with comparable new structures. Mr. Mehkri's workfile did not include the referenced Marshall & Swift excerpts. Mr. Morris testified that the file should have contained this data.

20. Mr. Mehkri's appraisal report's opinion of site value in the Cost Approach was \$45,000. Neither the report nor the workfile includes any support for this value. Mr. Morris testified that such support should have been included in the workfile and should have come from a source other than Marshall & Swift.

21. Mr. Morris pointed out that the workfile did include MLS information for two parcels of vacant land in Kingman that had recently sold. However, the parcels were zoned C-2, which is commercial, not residential. This information did not support Mr. Mehkri's opinion of the subject's site value.

22. Mr. Mehkri testified that the county's records had shown the vacant parcels were residential and that the listing agent of the comparable land had told him that the MLS stated that the land was zoned commercial to inflate its value. Mr. Mehkri did not offer into evidence any documents to support his testimony.

23. Mr. Mehkri admitted that he should have included documentation for all of the factual assertions in his appraisal report. He has included such documentation since the complaints at issue were made. But, if he referred to a source or made an assertion in his report, he testified that he had the source material in front of him when he prepared the report.

24. Mr. Morris testified that the adjustments to the comparable sales in the Sales Comparison Approach of Mr. Mehkri's report should have come from a market-based analysis of

salient and significant differences between the subject and the comparable sales. Mr. Mehkri's report made adjustments based on the date of sale/time, age of the property, size of the property, number of rooms, and existence and size of garages. But there was no support for any of Mr. Mehkri's adjustments in his workfile.

25. Mr. Morris testified that the subject had a basement, with windows approximately 3' above grade that were visible in the photograph that Mr. Morris took of it. Mr. Morris testified that he had also observed a basement when he inspected the house. Although Mr. Mehkri's drawing of the subject included two levels, he described the subject as having "no basement" and being constructed on a concrete slab on the Comparable Sales Approach.

26. Mr. Mehkri testified that the subject only had "three steps" below grade. He did not consider it to have a basement. Mr. Mehkri's testimony is not consistent with Mr. Morris' photograph and testimony.

27. All of the comparable sales were single level structures without basements. Mr. Morris testified that the market places a premium on single level structures because they are more convenient. In addition, comparable square footage is significantly more costly to construct in a single level home. Yet Mr. Mehkri made no downward adjustments for the fact that the subject's livable square footage included a basement.

28. Mr. Morris testified that the comparable sales also had superior features to the subject, which were described in the MLS and/or apparent in Mr. Morris' inspection, for which Mr. Mehkri made no downward adjustment. Mr. Morris' report described these superior features as follows:

Sale No. 1 at 2905 East Carver Avenue, per inspection and MLS, is in superior condition, had solar panels on garage roof, addition in rear, covered awning in front, koi pond, remodeled kitchen, substantial landscaping, etc. See MLS 1050 square feet versus assessor's 906 square feet, which most probably is the addition in rear.

Sale No. 2 at 2495 East Leroy Avenue is in superior condition and per MLS is a 4-bedroom home (not 3 bedrooms as reported). Per MLS, this home is remodeled, has superior fencing, extra family room (see size report versus MLS size), tile countertops, ceiling fans, and is a single-level home. . . .

Sale No. 3 at 2394 East McVicar Avenue is, per inspection and MLS, in superior condition, was totally remodeled, has superior landscaping, carport plus detached garage, and some ceramic tile flooring. This home is not back on the market with \$190,000 asking price.

29. Mr. Mehkri testified that the owner stated that the subject had been recently remodeled and that the windows had been replaced.

30. Mr. Morris noted that the report did not note the remodel or any upgrades.

31. Mr. Mehkri's report included a time adjustment of \$14,000 for the time between when Comparable Sale #1 sold on 9/30/05 and the effective date of the subject's appraisal. But his workfile included no support for that level of appreciation in the Kingman market.

32. Mr. Morris testified that there were several sources an appraiser could use to support market behavior. In Phoenix, the *Arizona Republic* publishes market analysis. In Kingman, such information was kept by the Chamber of Commerce and the MLS.

33. Mr. Mehkri testified that costs were rising in the Kingman market. In 2006, appraisers were very busy. The demands of his appraisal practice may have caused him to cut corners.

34. The report stated a three month marketing time, which Mr. Morris testified was a typical time to achieve sale of a reasonably priced property. Mr. Morris testified that he had interviewed professionals in Kingman, who told him that, by May 2006, the "bubble was off the market." The market had experienced slowing and, at best, was stable to declining. Prices were no longer increasing. In 2006, state loans, adjustable rate loans, and other novel financing were the only things that were maintaining the market.

35. Mr. Morris pointed out that Mr. Mehkri's report included the comment, "Real Estate in the city of Kingman have [sic] increased in a range of 30% to 40% in the last six months of 2005." The appraisal was done in the fifth month of 2006, when the market was beginning to decline.

36. Mr. Mehkri testified that his report should have stated "the last six months of 2006," not 2005.

37. Some of the documents in Mr. Mehkri's workfile were dated May 2, 2006, the day after the effective date of the report, or February 1, 2007, after the complaint was made. Mr. Morris testified that USPAP requires documents in the workfile to be contemporaneous with the report.

38. Mr. Mehkri testified that, if he prints MLS listings after 11:00 p.m., his printer shows the next day's date.

39. Mr. Mehkri's report noted that the subject property had sold for \$43,000 on 10/21/003 and that it was under contract on 5/1/06 for \$160,000. But Mr. Mehkri did not explain the price change. Mr. Morris testified that the Fannie Mae form and USPAP required an analysis of the difference between the prior sales price and current value, but Mr. Mehkri's report included no such analysis.

40. Mr. Mehkri testified that the property sold for \$43,000 in 2003 because that was the amount remaining on the prior loan. He admitted that he should have stated this fact in his report.

41. Mr. Morris testified that, when he inspected the subject, it was vacant and in foreclosure. He noted numerous items of deferred maintenance, including chipped paint and powered paint on the garage door, worn fascia board, dryrot on the wood, which would have been visible a year earlier. Mr. Mehkri's failure to note the items of deferred maintenance diminished the credibility of the report and violated USPAP.

42. Mr. Mehkri testified that the subject had been rented. Tenants do not care for or maintain property.

43. The report described the subject's neighborhood as "[t]ypical in this area are Stucco, frame and brick ranch, single family homes displaying average upkeep and market appeal." Mr. Morris testified that the subject's neighborhood included many single- and double-wide mobile homes from the 1960's and 1970's, which were visible in the photos of the subject and its streetscape that were offered into evidence. Mr. Mehkri's inaccurate description violated USPAP.

44. Mr. Mehkri testified that the neighborhood description was boilerplate that he had failed to change. The Comparable Sales were also located in neighborhoods that included mobile homes.

45. The report described the subject as a ranch style frame structure. Mr. Morris testified that the subject was not a ranch, which has 8' walls and a 4:12 pitched roof, and is long and one story. In addition, the subject was constructed of concrete block.

46. Mr. Morris testified that the Comparable Rentals in the Income Approach were all outside the subject's neighborhood and located in neighborhoods that did not include mobile homes. The report did not explain why the Comparable Rentals were selected. The subject rented for \$650/month, but the comparable rentals all rented for \$900+/month.

47. Mr. Morris testified that comparable rentals should be in the subject's or a similar competing neighborhood. The appraiser also could make adjustments similar to the comparable sales approach. But Mr. Mehkri had not adjusted the comparable rental properties for salient features, such as having a single level, condition, quality, or size. Mr. Morris testified that the adjustment made for age was inappropriate.

48. Mr. Morris did not know why Mr. Mehkri included the income approach in the appraisal report, since typically the subject is appraised as owner-occupied.

49. Mr. Mehkri pointed out that the report stated that the subject was occupied by a tenant at the time of the appraisal. Whether the client requests it or not, he likes to include a Comparable Sales Approach, Cost Approach, and Income Approach in all of his appraisal reports.

50. The report included a gross rent multiplier of 250 to reach a value of the subject under the income approach of \$162,500. The workfile did not include any documentation to support his multiplier.

51. Mr. Morris testified that a gross rent multiplier must be supported by the market analysis. The multiplier could be derived from the price of an income property that had recently sold, divided by the monthly rent charged after the sale.

52. Mr. Morris opined that Mr. Mehkri had violated SR 1-1(a), SR 1-1(b), SR 1-1(c), SR 1-4, SR 1-5(a), SR 1-5(b), SR 2-2(b)(viii), and the Ethics Rule—Record Keeping and Conduct in preparing this appraisal report of the property of 3035 East Shavely.

Case No. 07F-2312-BOA

53. Case No. 2312 involved Mr. Mehkri's summary appraisal report of a single-family home at 3565 North Laguna Road in Golden Valley, Arizona, which is a suburb of Kingman. The date of value and effective date of the report was April 10, 2006.

54. The appraisal report stated that the subject was under contract for \$201,000. Mr. Mehkri's workfile did not include a copy of the contract. The report contained no analysis of the contract. Mr. Morris testified that the analysis that USPAP and Fannie Mae require is more than simply stating the existence of a contract.

55. Mr. Mehkri had admitted into evidence the first page of a contract, which was attached to the order for the appraisal from Tara Plote, the Transaction Coordinator for Residential Asset Management ("RAM").

56. The report stated that "[t]he sale prices and marketing time of the comparables is typical for this area." The report also stated that the subject had sold for \$89,000 on 12/01/04, which Mr. Morris testified was only a year and four months before Mr. Mehkri appraised it for more than twice as much.

57. The workfile also did not contain data in support of the neighborhood trends, site value data, depreciation data or data in support of the Comparable Sales Approach adjustments (such as site size adjustments, age adjustments, and adjustments for frame versus stucco).

58. The workfile included documents dated May 2, 2006, several weeks after the effective date of the appraisal, and March 4, 2007, nearly seven months after the effective date, after the complaint had been filed.

59. Mr. Mehkri testified that he had the documents when he was doing the appraisal. But somehow the file became "mixed up" with another file. He reprinted the documents when the Board requested the file. Although the dates are different, the documents contain the same information.

60. The report also adjusted the subject's value \$630 for having 21 square feet more living space than Comparable Sale No. 1. Mr. Morris testified that adjustments in the Comparable Sales Approach must be based on significant differences in the market, such as the presence of a fireplace, landscaping, RV parking, or a covered patio. Because potential homebuyers usually are not influenced by differences of less than 100 square feet in properties, appraisers typically do not adjust for small differences.

61. Mr. Mehkri testified that any square footage costs the builder more to build. Therefore, it was appropriate to make adjustments for small differences in the Comparable Sales Approach.

62. Mr. Morris testified that Comparable Sales Nos. 2 and 4 were the same property. Mr. Mehkri would have realized this if he had actually inspected the properties.

63. Mr. Morris' report to the Board noted the following superior features in Mr. Mehkri's comparable sales, for which no adjustments were made:

Sale No. 1 at 7091 West Juniper showed 1439 square feet in MLS with assessor records showing 1475 square feet. (See unsupported size adjustment above.) Inspection and MLS revealed the following errors of omission/commission: This sale had superior condition, landscaping, fireplace, covered patio, and RV parking.

Sale No. 2 and Sale No. 4 at 6622 and 6626 West Hershey Way are the same property. The respondent . . . adjusted one for A/C but stated other was evaporative cooler. (This demonstrates that the respondent is not inspecting the comparable sales, but is relying on MLS.) Other errors of omission/commission are fireplace, block wall fencing with double-access gates, superior condition, superior landscaping and per MLS oversized garage with knotty cedar work area, utility sink, radio with four speakers, RV parking, etc.

Sale No. 3 at 377 South Houck Road is another instance where it is obvious and apparent that this sale had not been inspected. The sale had wood fencing enclosing substantial improvements in the backyard, obvious fireplace, lattice-covered entryway, superior landscaping with ground lights, outbuildings, etc. From MLS, statements such as ceramic tile in kitchen, entry and bathrooms, tiled patio to rear, garage workshop, mature trees and fruit trees, RV parking, RV hook-ups, etc. The grid did show A/C for this sale, but no adjustment. Again, no support for the adjustment is utilized such as frame construction versus stucco, age adjustment, etc.

Sale No. 4 has already been discussed, as it is Sale No. 2.

Sale No. 5 at 5905 Mormon Flat Road is another sale where it is obvious and apparent that the respondent did not inspect. This sale has corral with shaded ramada, small barn, RV setup, fireplace, evap and A/C, etc. Per MLS, this home had tile flooring, ample outdoor storage, fenced 2.35 acres, combo stone/stucco, and MLS states horse corrals with three stalls, detached garage//workshop, 12-foot by 12-foot barn with loft, 95 cactuses on property, etc.

Mr. Morris testified that the features in the Comparable Sales that Mr. Mehkri did not list or provide adjustments for constituted willful errors of omission.

64. Mr. Morris pointed out that the report attached to Ms. Woods' complaint was a different report than the one that Mr. Mehkri provided to the Board. The report attached to the complaint did not have comparable sales 4 and 5 and had different size adjustments.

65. Mr. Mehkri testified that the lender had requested two additional comparable sales and he had amended his original report. He does not know where Ms. Woods got a copy of his report.

66. Mr. Mehkri admitted that he had not signed an amended report after he made the changes that the lender had requested.

67. The workfile also did not include any data to support the report's comparable rentals and gross rent multiplier. Mr. Morris testified that the omissions affected the credibility of the report and were misleading, in violation of USPAP SR 1-1 and 1-2(b).

68. Mr. Mehkri testified that he had obtained information on comparable rentals from Crestview Realty, which managed many rentals in Golden Valley. There were no documents in the workfile because Crestview provided the address of the rentals and monthly rents over the telephone.

69. Mr. Morris opined that Mr. Mehkri had violated SR 1-1(a), SR 1-1(b), SR 1-1(c), SR 1-5, SR 2-2(b)(viii), Supplemental SR analysis of subject's prior sale analysis of current contact, and the Ethics Rule—Record Keeping and Conduct in preparing this appraisal report in his appraisal of the property at 3565 North Laguna Road.

Case No. 07F-2313-BOA

70. Case No. 2313 involved Mr. Mehkri's summary appraisal report of a residential property located at 2825 North Prescott Street in Kingman. The date of value and effective date of the report were July 14, 2006.

71. The appraisal report noted that the subject had a partial basement that contained a family room and bath. Although none of the comparable sales had basements, no adjustments were made under the Comparable Sales Approach. Mr. Morris testified that Mr. Mehkri should have made adjustments, for the same reasons given in Case No. 2311.

72. The workfile did not contain cost data, site data, or depreciation in support of the cost approach. The cost approach did not contain data for the subject's basement.

73. The MLS described the subject as having a full basement. The report did not explain what was meant by a partial basement.

74. The report noted a prior sale of the subject on 1/10/06 for \$189,000, but page 3 of 6 of the report stated that "The sale date on the Mohave County shows as 01/10/06, but the real sale happen on 12/01/05. Appraiser has corrected the sale date." But no evidence showed that the sale date had been corrected in the workfile or in a revised appraiser report.

75. Mr. Mehkri's report concluded that the value of the subject was \$230,000. His report contains no explanation why the subject would appreciate \$50,000 over a seven-month period. The report's neighborhood analysis stated that property values were stable. Mr. Morris' investigation report noted that Mr. Mehkri's neighborhood analysis in Case No. 2311, 2314, and 2315, which involved properties in the same Greater Kingman Addition neighborhood, all stated that property values were "increasing" as much as 30% to 40% annually.

76. Mr. Morris' report noted the Comparable Sales' superior features that Mr. Mehkri's report had failed to report or make adjustments for, as follows:

Sale No. 1 at 2785 North Prescott Street is adjacent to the subject on the south. (Report states "0.04 miles S" Did the appraiser even look at this sale?) This sale is adjusted--\$6,000 for age without support or explanation; no adjustment for basement (See file 2311)

where appraiser does include basement in livable area and adjusts for size). This sale is reported as "ranch" and is factually Santa Fe Style. The report stated covered porch for the subject and this sale's covered patio when factually this sale has covered (porch) entry and covered patio.

Sale No. 2 at 2725 North Central Street was adjusted +10,000 for 3600-square-foot site difference or \$2.78 per square foot without support or explanation. (Unsupported subject site value in Cost Approach \$50,000 for 10,000 square feet or \$5 per square foot versus \$2.78 per square foot. There was an age adjustment of -\$6,000 without support or explanation. There was no adjustment for the basement. No disclosure or adjustment for fireplace, block wall, easy-care landscaping with sprinklers, covered patio/entry versus subject's covered entry, and what MLS stated as blinds to be completed.

Sale No. 3 at 3100 North Prescott Street was adjusted -\$6,000 without support or explanation. No adjustment for basement; no adjustment for tile roof; misstatements of two-car garage when report photo shows three-car garage and MLS states oversized three-car garage. Other errors of omission and/or commission: Full rear covered patio with ceiling fans; fireplace; interior ceiling fans; ceramic tile floors, etc.

NOTE: this property has subsequently sold for \$269,900, recording January 1, 2007, while the subject remains unsold asking \$224,950 after this appraisal concluded \$230,000.

77. Mr. Mehkri admitted that he had violated USPAP by failing to keep supporting data in his workfile. He had asked builders in the area about the cost of new construction and had based his adjustments of \$65 to \$90 per square foot on the information he had obtained. He adjusted existing comparable sales \$50 per square for size differences.

78. Mr. Mehkri testified that he had completely missed the partial basement in his initial inspection of the home, after which he had completed his appraisal report. When he went back to the home, the owner showed him the partial basement. He added a comment to his appraisal report but, since he had already determined value, he did not adjust the value of the comparable sales.

79. Mr. Mehkri testified that the covered porch was very large and used as a covered patio, so he did not adjust the comparable sales.

80. Mr. Mehkri admitted that he did need to analyze the prior sales.

81. Mr. Mehkri admitted that he did overlook some of the features on the comparable sales. But, at the time, there was a huge demand for appraisals and, when he was forced to do so many reports quickly, he might have missed a few things. But he did not mean to be misleading. The subject had features he had overlooked that offset the fireplace.

82. Mr. Morris opined that Mr. Mehkri had violated SR 1-1(a), SR 1-1(b), SR 1-1(c), SR 1-5, SR 2-2(b)(viii), and the Ethics Rule—Record Keeping in preparing this appraisal report of the property at 2825 North Prescott Street.

Case No. 07F-2314-BOA

83. Case No. 2314 involved a summary appraisal of a property located at 3378 North Yuma Street in Kingman. The date of value and effective date were May 24, 2006.

84. Mr. Morris noted that the subject property had been listed for sale with an asking price of \$167,000 since June 15, 2005, more than a year before closing and nearly a year before Mr. Mehkri's report. The property sold for \$172,165 with MLS reporting pending date or contract date of July 7, 2006.

85. Mr. Mehkri's appraisal report did not note the prior sale. Instead, he noted that "[t]he subject is under contract for \$190,000." The MLS for the subject in the workfile was dated February 2, 2007 at 1:28 a.m.

86. Mr. Morris' investigative report concluded that Mr. Mehkri's failures to note the prior listing and to analyze the sales contract "are egregious violations of [SR] 1-5(a), [SR] 2-2(b)(viii), Supplemental Standards Rule, Ethics rule-conduct Section" and that Mr. Mehkri "has most probably participated in a fraudulent scheme."

87. All of the documents in the workfile were dated after the effective date of the appraisal report.

88. The workfile included no data on inspection of the subject, site value data, site valuation data, cost data, data in support for age adjustment (Mr. Morris' report noted that "the cost shows \$0 for depreciation and market shows -\$1,000 for one year; this is not consistent with other appraisals investigated"), or for size adjustments.

89. Mr. Morris' investigative report described the deficiencies in Mr. Mehkri's comparable sales analyses as follows:

Sale No. 1 at 3470 North Jewel Street is a sale located just north of Airway, an access road under the railroad tracks to Andy Devine Avenue. This sale was asking \$230,000 and sold \$190,000. MLS reported in addition to superior location to Airway, upgraded carpet, ceiling fans, etc.

Sale No. 2 at 3336 North Eagle Rock listed April 6, 2006, by builder/agent C. David Cooley at \$186,000. April 28, 2006, MLS by David Cooley reported this property was purchased by David and Lois Cooley. This is not a market transaction! Not a comparable sale!

Sale No. 3 at 3243 North Yuma Street listed at \$195,000 and sold \$195,000. MLS from respondent's file stated, "Upgrades galore . . . wood flooring in the entry, dining and kitchen. Brushed nickel fixtures. Plenty of closets all through the home.

90. The workfile included no data to support the gross rent multiplier used in the Income Approach in the report.

91. Mr. Mehkri testified that the subject was not finished and was still under construction when he prepared his appraisal report. The seller had provided much of the information for the report.

92. Mr. Mehkri testified that he inspected the property on May 24, 2006. He did not prepare his report until May 28, 2006, the date on most of the documents in the workfile. The stated effective date of the report was an error.

93. Mr. Mehkri's inspection report stated that the property was under contract for \$190,000 "per lender." He had asked the listing agent about the \$167,000 list price and she had told him that it was "preconstruction, without all the amenities."

94. Mr. Mehkri admitted that he should have hit the "print" button for all of the sources he relied upon to prepare the appraisal report. But like 90% of the appraisers at the time he was overwhelmed. But he had sources to back up the facts and analysis in the appraisal report.

95. Mr. Mehkri admitted that an MLS is produced when a property is listed, not when it closes. The MLS listing for the subject was showed a listing of \$167,000 on June 15, 2005. He did not explain why his report valued the property at \$192,000, despite the prior listing.

96. Mr. Mehkri also admitted that he did not discuss the preconstruction pricing in the appraisal report.

97. Mr. Morris opined that Mr. Mehkri had violated SR 1-1(a), SR 1-1(b), SR 1-1(c), SR 1-5(a), SR 1-5(b), Supplemental Standards Rule on subject listing and sale; SR 2-2(b)(viii), Supplemental Standard Rule, and the Ethics Rule—Record Keeping and Conduct in preparing this appraisal report in his appraisal of the property at 3378 North Yuma Street.

Case No. 07F-2315-BOA

98. Case No. 2315 involved a summary appraisal report of a residential property located at 2744 Southern Avenue in Kingman. The date of value and date of report were May 16, 2006.

99. Mr. Mehkri's workfile did not contain cost data, site data, or depreciation data in support of the Cost Approach. The workfile MLS sales data was dated February 2, 2007 at 1:40 a.m. There was no data in the workfile for Comparable Sale No. 4.

100. Mr. Morris testified that the subject was a semi-detached residence that shared a garage wall with the adjacent residence. This fact was apparent on Mr. Morris' photograph of the subject, which shows a tall fire wall between the semi-detached residences, but not on Mehkri's photograph, which appeared to have been cropped.

101. Mr. Morris testified that semi-detached homes have different markets than detached homes and are generally less marketable. But Mr. Mehkri's report did not disclose or analyze the subject's semi-detached status. Although all of the comparable sales were detached, the report did not adjust value for the subject's semi-detached status. If Mr. Mehkri's report had stated that the common wall did not affect marketability, it would not have been accurate.

102. Mr. Mehkri pointed out that he had marked "att" on the type of structure on the general description of the improvements portion of the appraisal report.

103. Mr. Morris' investigative report to the Board discussed Mr. Mehkri's treatment of the comparable sales in relevant part as follows:

All three comparable sales were detached in comparison to the attached subject. The attached unit to the subject rented at \$875 per month versus Rental No. 2 and Rental No. 3 adjusted to \$925. Per the appraisal report, this indicated a \$50 per month difference in attached versus detached or GRM 230 times per \$50 per month, or \$11,500 adjustment warranted to the detached comparable sales.

Sale No. 1 at 2732 Phoenix Avenue had, per MLS, auto garage oversized, ceiling fans, new home warranty, covered entry and covered patio, landscaping with bubbler system, prewired for alarm, vaulted ceiling, and this 2 x 6 constructed home is detached. Contract on this sale is October 19, 2005, with selling agent Susan Smith. . . .

Sale No. 2 next door at 2736 Phoenix Avenue, same as No. 1 above. Buyer is selling agent for both. No adjustments for detached, oversized garage, covered patios, landscaping, etc.

Sale No. 3 at 2712 Harrod Avenue per MLS had covered patio and covered entry, was detached, and was new construction.

Sale No. 4 at 3054 Victoria Lane is a detached single-family on corner cul-de-sac lot in a superior neighborhood to the southeast. This sale is detached, has covered entry and three patios, auto sprinklers, 10-foot ceilings, 5 ceiling fans, etc. No support found for age adjustment at \$3,500. No explanation for lack of site adjustment for this sale that is 0.16 acre/6970 ± square feet on a corner cul-de-sac lot.

All four sales had livable size differences of 26 to 40 square feet and were adjusted at \$1,000 and \$2,000; i.e., Sale No. 4 at 35 square feet +\$1,000 or 28.57 per square foot

versus Sales 1 and 2 with 40 square feet -\$2,000 or -\$1000 for additional five square feet. These are not credible results.

Other errors of omission and/or commission: Site size; neighborhood date "increasing" and "under 3 months," yet no time adjustments to Sale No. 1's October 2005 sale date, and Sale No. 4's September 2005 sale date, with subject's effective and report date May 16, 2006; recording dates are in error: Sale No. 1 2/23/06; Sale No. 2 1/31/06; Sale No. 3 is correct; Sale No. 4 11/2/05.

104. Mr. Morris again testified that the market does not recognize size differences of less than 100 square feet. Even if it did, Mr. Mehkri's adjustments were not consistent or credible.

105. Mr. Morris also testified that Comparable Sales 1 and 2 were purchased by the same party from the same selling agent. This factor may go to the buyer's motivation, because the buyer may have obtained concessions for buying the second property. But this fact was not disclosed in the appraisal report.

106. The report noted a prior sale of the subject for \$148,900 on December 1, 2004, but did not analyze the sale in terms of the price conclusion of \$203,000.

107. The report also analyzed the improvements as new, when factually the subject was built in 2005.

108. Mr. Mehkri admitted that he had missed certain things in his appraisal report. He included the detached homes in his comparable sales because not many semi-detached homes had sold.

109. Mr. Mehkri testified that, although it was not in his report, the builder had spent more money on the units in the area of the subject. Although the subject had been built in 2005, it was brand new because it had never been lived in. Tenants had moved in only a couple of weeks before he prepared his appraisal report.

110. Mr. Mehkri testified that he adjusted for small differences in square footage in the comparable sales approach because it had cost the builder to build that square footage. But he is learning a lot from Mr. Morris.

111. Mr. Mehkri admitted he had violated USPAP in failing to have a complete workfile. But he had the sources in front of him when he prepared the appraisal report. Somehow the documents had been misplaced. But at the time Kingman was in a boom. He has learned that he might have to turn down work if he cannot keep track of his file.

112. Mr. Mehkri testified that he was not taught to analyze pending sales contracts. But he has learned over the past year and a quarter. If someone says that they don't have a contract, he tells them he cannot do an appraisal.

113. Mr. Morris opined that Mr. Mehkri had violated SR 1-1(b), SR 1-1(c), SR1-5, and the Ethics Rule—Record Keeping in preparing this appraisal report of the property at 2744 Southern Avenue.

Case No. 08F-2583-BOA

114. Case No. 2383 involved Mr. Mehkri's summary appraisal report of a residential property located at 9411 West Ross Avenue in Peoria, Arizona. The dates of value were July 12, 2006 (certification) and July 21, 2006 (reconciliation).

115. Mr. Mehkri had no workfile for this appraisal report. He stated that a trainee, Sarah Hanke, had the file and was supposed to return it, but had not. Mr. Mehkri had been unable to contact Ms. Hanke. Mr. Morris testified that these were violations of USPAP.

116. The appraisal report stated that the property was vacant. Interior photographs included with the report showed that the property was occupied.

117. The appraisal report indicated that the subject property was under contract for \$390,000, "per lender." Mr. Mehkri checked the box to indicate that he had analyzed the contract, but no analysis was contained in the report. Mr. Morris opined that this was misleading.

118. Mr. Morris' investigative report continued:

On Page 1 of 6 under improvements, for Functional Obsolescence, the report states, "None." The report goes on to state "See attached addenda." In the addenda under Condition of Improvements, the report states, "The subject is charged for some functional obsolescence due to the swimming pool unable to recapture its cost in this market." Cost Approach did not account for functional obsolescence. Cost for covered patio, fireplace, and pool was \$45,000. Market adjustments for fireplace was \$2,000 and pool was \$10,000. None of this is supported [or] credible.

The subject did have a prior sale to the sale reported at \$345,000, recording on September 15, 2005. Prior to this and within the past three years was a sale at \$295,000, recording on May 26, 2005. (September 2005 is generally recognized as the peak of the bubble.) The subject did not sell for the reported contract price of \$390,000 or the appraised value of \$394,000.

Sale No. 1 at 9345 West Clara Lane was reported in MLS as "... a corner lot with front decorative stone; 18-inch ceramic tile in kitchen, family room, halls, and baths; RV parking, etc. Master bath has raised-height double sinks, glass block, and secondary bedrooms have phone, cable, and ceiling fans. Security system, pre-wired for surround sound, and 3-car garage insulated with extra electrical." The report adjusted this sale upward +\$10,000 for "Upgrades/Ave." These are errors of omission of information that was available with the report's cited sources of "Temp" and "Agent." Per the subject's subsequent MLS in 2007, the subject had been re-painted and re-carpeted.

Sale No. 2 at 20527 North 94th Drive again had "Upgrades/Ave" adjustment of +\$10,000, while MLS for this sale stated, "Spectacular—shows like a model. Cul-de-sac oversized lot with east patio, 2.5 extended garage with door to back yard. Built-in entertainment center, extensive ceramic tile, wood blinds, and honeycomb shades, additional upgraded oak cabinets, desk and island in kitchen. Built-in outdoor barbecue and fireplace. Too many upgrades to list. Also security system, surround sound, 3+ telephone lines." Again, errors of omission that were disclosed by the sources cited in the report.

Sale No. 3's reported address was 9187 West Alex Drive, when it is factually 9201 West Alex Avenue. 9187 does not exist! This demonstrates that the respondent did not inspect the exterior of the sales, or he would have discovered this address error. Per MLS, the sale is "... model sharp. ... ceramic tile throughout on the diagonal, upgraded neutral carpet, hickory raised-panel cabinets, upgraded plumbing (satin nickel finish) fixtures throughout, soft water and RO system, second sink in kitchen island, upgraded toilets, master bath jetted tub, glass block, bay window in master bedroom, 8-foot RV gate and slab, gas-plumbed to firepit and ready for BBQ." Pool was PebbleTec salt water with in-ground cleaning system. Again, substantial errors of omission with the report stating that this sale's "Upgrades/Avg+" equal to the subject. This sale did sell in 30 days as a relocation company sale with relo addenda.

Based on rental comparables and Operating Income Statement, subject appears to have been a rental. Following is a list of alternative sales found in this investigator's research:

•9443 W[.] Ross Ave[.]	Sold @ \$299,500 COE 5/22/06
•9454 W[.] Ross Ave[.]	Sold @ \$280,000 COE 5/26/06
•9464 W[.] Potter Dr[.]	Sold @ \$305,000 COE 3/20/06
•20854 N[.] 94 th Lane	Sold @ \$305,000 COE 11/26/06
•9449 W[.] Potter Ave[.]	Sold @ \$325,000 COE 5/9/06
•20827 N[.] 89 th Drive	Sold @ \$330,000 COE 4/27/06 (Pool)
•9441 W[.] Tonopah Dr[.]	Sold @ \$333,000 COE 6/12/06 (Pool)
•20476 N[.] 93 rd Drive	Sold @ \$365,000 COE 2/16/06 (Pool/Greenbelt)

The abundance of sales available for contrast and comparison demonstrates a probable advocacy by the respondent.

Mr. Morris testified at the hearing from his report and pointed out specific referenced portions of Mr. Mehkri's report, which had been admitted into evidence.

119. Mr. Morris explained at the hearing that "functional obsolescence" refers to a characteristic of the property that will adversely affect the value that might otherwise be given, for example, a single bathroom for a large number of bedrooms or a tennis court or swimming pool that cost more than likely purchasers in the neighborhood would be willing to pay.

120. Mr. Morris also explained that Tempo is an MLS brand name.

121. Mr. Morris testified that Mr. Mehkri should not have used Comparable Sale #3 because the fact of relocation impacts the seller's motivation. A relocated seller cannot enjoy the property without a sale. The appraisal report did not even note the relocation.

122. The appraisal report contained no explanation or support for the gross rent multiplier.

123. Mr. Morris pointed out that all of the sales he cited in his investigation report had sold for significantly less than Mr. Mehkri's conclusion of value of \$400,000, which indicates probable advocacy by the appraiser. It is a violation of the ethics rule for an appraiser to facilitate a client's objective. The analysis required in and the object of the appraisal report were to protect the intended use and user.

124. Mr. Mehkri testified that Case Nos. 2583 and 2584 started after Ms. Hanke, who lives in Phoenix, contacted him in April of 2006 and asked him to become her supervisor. She had been working under another appraiser, Jerry Diehl.⁵ Mr. Mehkri had said it was too far away, but asked if she was registered with the Board. Ms. Hanke had said she was registered under Jerry Diehl.

125. Mr. Mehkri testified that Ms. Hanke used to work for her mother, who was an appraiser and passed away. Ms. Hanke did most of the work. Altogether, he did six appraisals with Ms. Hanke, on the request of loan officers.

126. Mr. Mehkri testified that he had all the paperwork, but somehow Ms. Hanke had taken the files with her. He had been unable to contact Ms. Hanke after the complaints had been filed. It was his error. He should have kept the paperwork.

⁵ The spelling of the last name was corrected to be consistent with Board records indicating how Jerry Diehl spells his last name.

127. Mr. Mehkri testified that, when he looked at the subject property, it had granite countertops and was "way above average." He admitted that he had failed to mention the additional features in his appraisal report. Instead, he had just said "average +."

128. With respect to the functional obsolescence of the pool, Mr. Mehkri testified that the seller had told him that the pool cost \$70,000. Mr. Mehkri had said that there was no way the seller could get back that expenditure and valued the pool at \$45,000. He had not adjusted the price for the pool because he had already reduced the value of the pool.

129. Mr. Mehkri admitted that USPAP required him to be geographically competent to perform an appraisal in an area with which he was unfamiliar.

130. Mr. Morris opined that Mr. Mehkri had violated SR 1-1(a), 1-1(b), SR 1-1(c), SR1-5(a), SR 1-5(b), SR 2-2(b)(viii), and the Ethics Rule—Record Keeping and Conduct in his appraisal of the property at 9411 West Ross Avenue.

Case No. 08F-2584-BOA

131. Case No. 2584 involved Mr. Mehkri's summary appraisal report of a property located at 8438 West Maya Drive in Peoria, Arizona. The date of value and date of the appraisal report was July 21, 2006.

132. Mr. Morris testified that the record keeping USPAP provisions require an appraiser to keep his workfile and appraisal report for five years. The USPAP standards regarding the scope of the assignment required the supervising appraiser to put in detail the trainee's participation in the appraisal report. Although the appraisal report stated that "Sarah Hanke has greatly assisted in the compilation of the information included in this report," her exact assistance was not noted. Moreover, Ms. Hanke had not signed the certification, as required by SR 2-3. Because a trainee needed to meet a 2000-hour experience requirement to be licensed, it is important for the supervising appraiser to note exactly what the trainee did.

133. Mr. Morris' investigative report noted the following findings:

There was no work file. The respondent stated that the trainee, Ms. Sarah Hanke, was in possession of the work file; that the respondent had not been able to contact Ms. Hanke, but would continue his efforts to obtain the work file (May 2008). This is a violation of the record keeping rule.

There was no disclosure of the trainee's participation in the report. The trainee's name was not included under the certification of assistance as required.

The contract portion of the report states that the property was currently under contract for \$450,000, and that both parties have signed the contract on 7/19/06. (Report dated 7/21/06.) Factually, this property sold for \$370,000 with zero down payment, recording on September 29, 2006, and with an affidavit-reported sale date of July 2006.

The subject was listed as a lease in MLS at \$1,400 as of the appraisal date.

Prior sale of the subject was \$400,000 as reported. The report failed to disclose that the asking price on the subject prior to the sale at \$400,000 was \$319,000, and that the subject sold on April 7, 2005, at \$305,000. Four months later it sold at \$400,000 or +\$95,000 (+24 percent). This does require further explanation under [SR] 1-5 and FNMA guidelines. . .

Sale No. 1 at 8336 West Staghorn Road is factually an outside curve lot backing to open space (8,691 square feet versus subject's 6,945 square foot corner lot. Per MLS, this sale has impressive entry with flagstone courtyard, mahogany entertainment center, dramatic gourmet kitchen with top-of-the line stainless appliances, mahogany cabinets, granite

countertops, wine cooler, jetted tub in master bath, water softener, RO system, tinted windows, security system, BBQ cook center on extended patio, play pool, water feature, triple French doors to patio, etc., that were not addressed in the adjustment grid. The adjusted results are not credible, with substantial errors of omission and commission. . . .

Sale No. 2 at 26498 North 84th Drive has the wrong picture in the report, once again showing that the respondent is not inspecting the sales cited. This sale backs to common area/open space and had wrought iron fencing. . . . Additional errors of omission are, per MLS, this sale had granite countertops, raised tile fireplace hearth, all wood blinds, rotunda entry, designer pain, garage with custom cabinets and epoxy floor, 3+ existing telephone lines, networking wiring multiple rooms, and extensive landscaping. Again, the results are not credible.

Sale No. 3 at 26468 North 84th Avenue has errors of omission and commission. The report adjusts this sale's site Interior/Average +\$10,000. The subject backs to a busier street and on entrance corner. This is not credible. This sale has two fireplaces; the reports states one fireplace with a -\$1,000 adjustment. This is not credible.

The report adjusts this sale upward +\$20,000 for Upgrades/Average, with MLS stating ". . . all the upgrades you want, gourmet kitchen with slab granite counters and bar top, 5-burner gas cooktop with warming drawer, stainless steel appliances, 42-inch raised-panel maple staggered cabinets with crown molding, travertine floors throughout except bedrooms, four-inch baseboards, eight-inch interior doors, courtyard patio with fireplace and fountain 250-square-foot private casita with French doors and sitting area, master bedroom bay window and gas fireplace, Travertine-tiled separate Jacuzzi tub and shower, beautiful light fixtures and ceiling fans, On-Q wiring, wood blinds, etc." Adjusted results are not credible in light of numerous and substantial errors of omission and commission.

Two alternate sales are listed below. These sales are from the subject's immediate subdivision.

- 8518 West Maya Drive (same street/same model) \$375,000; contracted February 9, 2006
- 8552 West Andrea Drive (same subdivision/same model) \$365,000; contracted April 21, 2006

These alternative sales demonstrate the price levels in February to April 2006 in the subject subdivision.

134. Mr. Mehkri testified that the subject had so many upgrades that he could not put them all down on the appraisal report. That is why he rated the subject's improvements as "average +" Now he does an addendum.

135. Mr. Mehkri was asked if he was surprised to learn that Mr. Morris' inspection had shown that the kitchen countertops in the subject were Formica. Mr. Mehkri answered that he could not recall.

136. Mr. Morris testified that Mr. Mehkri had violated SR 1-1(b), SR1-5(a), SR 1-5(b), SR 2-2(b)(viii), and the Ethics Rule—Record Keeping and Conduct in his appraisal of the property at 8438 West Maya Drive.

Evidence of Intent

137. Mr. Morris testified that Mr. Mehkri's violations of USPAP in the seven cases were repeated and substantial. Because the effect of the violations generally was to inflate the value of the subject, Mr. Morris inferred that the violations were willful.

138. Mr. Mehkri denied having any fraudulent or malicious intent. He has changed his appraisal practice since receiving these complaints. He is willing to work under the supervision of Mr. Morris or another certified appraiser.

APPLICABLE 2005 AND 2006 USPAP PROVISIONS

1. SR 1-1(a) provides: "In developing a real property appraisal, an appraiser must . . . be aware of, understand and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal."

2. SR 1-1(b) provides: "In developing a real property appraisal, an appraiser must . . . not commit a substantial omission or commission that significantly affects an appraisal."

3. SR1-1(c) provides: "in developing a real property appraisal, an appraiser must . . . not render appraisal services in a careless or negligent manner, such as a series of errors that, considered individually, may not significantly affect the results of an appraisal, but which, when considered in the aggregate, would be misleading."

4. SR 1-4 "contains specific requirements from which departure is not permitted" and provides:

In developing a real property appraisal, an appraiser must collect, verify, and analyze all information applicable to the appraisal problem, given the scope of work identified in accordance with Standards Rule 1-2(f).

(a) When a sales comparison approach is applicable, an appraiser must analyze such comparable sales data as are available to indicate a value conclusion.

(b) When a cost approach is applicable, an appraiser must:

(i) develop an opinion of site value by an appropriate appraisal method or technique;

(ii) analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and

(iii) analyze such comparable cost data as are available to estimate the difference between the cost new and the present worth of the improvements (accrued depreciation).

(c) When an income approach is applicable, an appraiser must:

(i) analyze such comparable rental data as are available and/or the potential earnings capacity of the property to estimate the gross income potential of the property;

(ii) analyze such comparable operating expense data as are available to estimate the operating expenses of the property;

(iii) analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and

(iv) base projections of future rent and/or income potential and expenses on reasonably clear and appropriate evidence.

(d) When developing an opinion of value of a leased fee estate or a leasehold estate, an appraiser must analyze the effect on value, if any, of the terms and conditions of the leases(s).

....

5. SR 1-5(a) and 1-5(b) provide as follows:

In developing a real property appraisal, when the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:

(a) analyze all agreements of sale, options, or listing of the subject property current as of the effective date of the appraisal; and

(b) analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.

6. SR 2-2(b)(ix) provides as follows:⁶

The content of a Summary Appraisal Report must be consistent with the intended use of the appraisal and, at a minimum . . . summarize the information analyzed, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, and conclusions.

7. The Ethics Rule—Record Keeping⁷ provides as follows:

An appraiser must prepare a workfile for each appraisal, appraisal review, or appraisal consulting assignment. The workfile must include:

- the name of the client and the identity, by name or type, of any other intended users;
- true copies of any written reports, documents on any type of media;
- summaries of any oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification; and
- all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with this Rule and all other applicable Standards, or references to the location(s) of such other documentation.

An appraiser must retain the workfile for a period of at least five (5) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

An appraiser must have custody of his or her workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile.

8. The Ethics Rule—Conduct⁸ provides as follows:

An appraiser must perform assignments ethically and competently, in accordance with USPAP . . .

⁶ SR 2-2(b)(viii), which was cited in the notice of the hearing, concerns extraordinary assumptions and hypothetical conditions. The Board offered no evidence in any improper extraordinary assumptions or hypothetical conditions by Mr. Mehri.

⁷ The Board deleted the reference to "Conduct" in this paragraph because the Recommended Decision did not quote any language concerning the Ethics-Conduct Rule.

⁸ The Board added this paragraph to reference the Ethics-Conduct Rule omitted in the Recommended Decision.

An appraiser must not communicate assignment results in a misleading or fraudulent manner.
An appraiser must not communicate a misleading or fraudulent report . . .

Victor Hartsfield seconded the motion. The Board voted unanimously in favor of the motion. Debbie Rudd moved that the Board accept Conclusions of Law 1-10 of the Administrative Law Judge with modifications to correct typographical errors; to be consistent with the evidence presented at the hearing; and to delete language inconsistent with the Board's conclusions of law and final order of revocation as requested in the filings from the State and staff, to read as follows:

CONCLUSIONS OF LAW

1. The Board bears the burden of proof and must establish that Mr. Mehkri violated applicable standards, as adopted by statute and regulation, by a preponderance of the evidence.⁹ "A preponderance of the evidence is such proof as convinces the trier of fact that the contention is more probably true than not."¹⁰ A preponderance of the evidence is "[t]he greater weight of the evidence, not necessarily established by the greater number of witnesses testifying to a fact but by evidence that has the most convincing force; superior evidentiary weight that, though not sufficient to free the mind wholly from all reasonable doubt, is still sufficient to incline a fair and impartial mind to one side of the issue rather than the other."¹¹

2. The Arizona legislature created the Board to prescribe and enforce standards of professional appraisal practice.¹² The Arizona legislature charged the Board with investigating complaints against licensed appraisers and, if violations of applicable statute, regulation, or standards are established, disciplining appraisers' certification.¹³

3. Licensed appraisers' appraisals in Arizona must comply with USPAP.¹⁴

4. The most basic requirement for an appraisal is that it must be independently and impartially performed and set forth an unbiased opinion of value supported by analyses that comply with USPAP's requirements.¹⁵

5. The Board has established violations of the USPAP provisions charged in the Amended Complaint and Notice of Public Hearing in this matter, with the exception of the charged violation of SR 2-2(b)(viii), through Mr. Morris' investigative report and expert opinion. The violations were significant and repeated.

6. The Board's Substantive Policy Statement #1 described the requirements for a Level V violation in two serial sentences that were not joined by a conjunction. It is not clear whether the violations must be significant *and* evidence willful disregard of USPAP or significant *or* evidence willful disregard of USPAP. The Board has not defined what it means by "willful disregard."

⁹ See A.R.S. 41-1092.07(G)(1); A.A.C. R2-19-119; see also *Vazanno v. Superior Court*, 74 Ariz. 369, 372, 249 P.2d 837(1952).

¹⁰ Morris K. Udall, *Arizona Law of Evidence* § 5 (1960).

¹¹ *Black's Law Dictionary* at page 1220 (8th ed. 1999).

¹² A.R.S. § 32-3605(A)(1).

¹³ A.R.S. § 32-3631(A)(2) and (6); see also A.A.C. R4-46-301 and R4-46-302 (concerning formal hearing procedures, investigations, and penalties).

¹⁴ A.A.C. R4-46-401.

¹⁵ A.R.S. § 32-3601(1) and (2).

7. In other administrative contexts, agencies and courts have defined willful disregard as requiring three elements: (1) That the regulated party knew that an applicable regulation or standard governed his performance of regulated activities; (2) That, subsequent thereto, the regulated party violated the regulation or standards; and (3) That the regulated party's violation was committed voluntarily and in intentional disregard or plain indifference to applicable regulation or standard.¹⁶

8. Mr. Mehkri is not a native speaker of English. He admitted numerous violations of USPAP. His testimony at the hearing also seemed to contain certain additional admissions that may have been inadvertent.

9. Mr. Mehkri also expressed a willingness to work under the supervision of another appraiser and to remedy his past violations of USPAP. His demeanor at the hearing was respectful and compliant.

10. The record does not show that Mr. Mehkri acted fraudulently or maliciously, although the record does show that, at a minimum, he acted incompetently.¹⁷

Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion. Gabe Corral moved that the Board reject the Order of the Administrative Law Judge¹⁸ and issue an Order of Revocation of Certified Residential Appraiser Certificate No. 21190 issued to Shahab A. Mehkri based on the following:

At the outset of the Mehkri administrative hearing, the State sought the revocation of Mr. Mehkri's certificate as a certified residential appraiser. The State's decision to seek revocation was based on the number, severity and repetitive nature of the charges against Mr. Mehkri. Judge Mihalsky however, recommended that the Board revoke Mr. Mehkri's certificate **but** stay the revocation while Mr. Mehkri serves a two year probationary period with a mentor/supervisor for a minimum of six months.

It is the Board's position that the evidence presented at hearing justifies the revocation of Mr. Mehkri's certification. Judge Mihalsky concluded that the State proved each and every allegation alleged by a preponderance of the evidence.¹⁹ In fact, Judge Mihalsky concluded that "[T]he violations were significant and repeated."²⁰ Many of the violations sustained by Judge Mihalsky were ethics violations and violations that affected the credibility of the appraisal report. Seven complaints, numerous substantiated violations all found to be significant and repetitive more than justifies a Level V violation and revocation of Mr. Mehkri's certification. Perhaps more important than Judge Mihalsky's finding that the violations were significant and repeated is her

¹⁶ See *Division of Occupational Safety and Health of the Industrial Commission of Arizona v. Ball, Ball and Brosamer, Inc.*, 172 Ariz. 372, 376, 837 P.2d 174, 178 (App. 1992)(quoting *National Steel & Shipbuilding Co. v. Occupational Safety & Health Review Comm'n*, 607 F.2d 311, 314 (9th Cir. 1979)).

¹⁷ The Board deleted language from the Recommended Decision to be consistent with the Board's conclusions and Order of Revocation.

¹⁸ The Board concluded that much of the evidence presented at the hearing was uncontroverted; and in fact, Mr. Mehkri "admitted numerous violations of USPAP." All of the allegations alleged against Mr. Mehkri were upheld. See Page 30, paragraph 8, lines 23-24 of the Recommended Decision.

¹⁹ In footnote 5 on page 28 of the Recommended Decision, Judge Mihalsky notes that Standards Rule 2-2(b)(viii) was alleged in the Complaint and Notice of Hearing to have been violated. The State presented no evidence with respect to hypothetical conditions or extraordinary assumptions, as the allegation was improperly noticed.

²⁰ Page 30, paragraph 5, line 11 of the Recommended Decision.

conclusion that "the record does show, **at a minimum**, he acted **incompetently**."²¹ (Emphasis added.) In adopting Judge Mihalsky's Recommended Order, the Board would be abrogating its responsibility to promote quality real estate appraisals by allowing an appraiser to continue to practice when he has been found to be, at a minimum, *incompetent* and responsible for committing *significant and repeated violations* of USPAP.

Judge Mihalsky noted that the record did not show that Mr. Mehkri acted fraudulently or maliciously. The Board *did not* allege that Mr. Mehkri acted fraudulently or maliciously. Neither fraud nor malice is a required element in determining whether a USPAP violation occurred. In addition, finding a Level V violation requires only a determination of "significant violations" or "willful disregard" of standards, statutes and rules. There is no requirement of malice. Judge Mihalsky found the violations to be significant (and repetitive) and she noted that Mr. Morris testified for the State that, in his opinion, the violations were willful.

Much of the evidence presented at hearing was uncontroverted; in fact, Mr. Mehkri "admitted numerous violations of USPAP."²² All of the allegations alleged against Mr. Mehkri were upheld. Therefore, the Board rejects Judge Mihalsky's recommendation and revokes Mr. Mehkri's certification.

and that the Order of Revocation include its standard language regarding revocation decisions, to read as follows:

ORDER OF REVOCATION

In issuing this order of discipline, the Board considers its obligations to fairly and consistently administer discipline, its burden to protect the public welfare and safety, as well as all aggravating and mitigating factors presented in the case. Based on the foregoing Findings of Fact and Conclusions of Law, **IT IS HEREBY ORDERED:**

1. That certified residential appraiser certificate No. 21190 issued to Mr. Mehkri to practice as a Certified Residential Appraiser be revoked as of the effective date of this Order.
2. That Mr. Mehkri shall immediately surrender his license by returning it to the Board office.
3. That Mr. Mehkri may not accept fees for or perform appraisals, appraisal reviews, consulting assignments, or any services governed by the Uniform Standards of Professional Appraisal Practice, A.R.S. § 32-3601, *et seq.*, or the rules promulgated thereunder.
4. That Mr. Mehkri is hereafter subject to the provisions of A.R.S. § 32-3638, which states that any person who is not licensed or certified as an appraiser and performs a real estate appraisal or appraisal review, or uses the designation of licensed or certified appraiser and/or provides false information to the Board is guilty of a Class 1 misdemeanor.
5. That if Mr. Mehkri reapplies for licensing or certification as an appraiser in the State of Arizona in the future, this disciplinary action may be considered as part of the substantive review of any application submitted by Mr. Mehkri, pursuant to A.R.S. § 32-3611(D).
6. Pursuant to the Board's Substantive Policy Statement #1, the Board considers the violations set forth herein to amount to Level V Violations for disciplinary purposes.

²¹ Page 31, paragraph 10, line 4 of the Recommended Decision.

²² Page 30, paragraph 8, lines 23-24 of the Recommended Decision.

RIGHT TO PETITION FOR REHEARING OR REVIEW

Respondent is hereby notified that he has the right to petition for a rehearing or review. Pursuant to A.R.S. § 41-1092.09, as amended, the petition for rehearing or review must be filed with the Board's Executive Director within 30 days after service of this Order and pursuant to A.A.C. R4-46-303, it must set forth legally sufficient reasons for granting a rehearing or review. Service of this order is effective five days after mailing. If a motion for rehearing or review is not filed, the Board's Order becomes effective 35 days after it is mailed to Respondent.

Respondent is further notified that the filing of a motion for rehearing or review is required to preserve any rights of appeal to the Superior Court.

Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion upon the following roll call vote: Les Abrams—yes; Gabe Corral—yes; Victor Hartsfield—yes; Cynthia Henry—yes; Myra Jefferson—yes; Michael Marquess—yes; Debbie Rudd—yes. The Board noted the 12-month file review.

Review and Action Regarding Issues Dealing With Formal Hearing Concerning 2436, Vernon L. Stutzman.

Respondent did not appear. Jeanne Galvin, Assistant Attorney General, represented the State. Christopher Munns, Assistant Attorney General, Solicitor General's Office, advised the Board. Michael Marquess moved that, based on the expiration of Respondent's 90-day grace period to renew and Respondent's notification to the Board that he has moved out of state, the Board close the complaint to be reopened and considered in the event Respondent reapplies; that the Board rescind its referral for formal hearing to the Office of Administrative Hearings (OAH); and that the Florida Real Estate Board be notified of the complaint. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Regarding Issues Dealing With Formal Hearing Concerning 2516, Timothy R. Fortunato.

Respondent appeared and was represented by Sean P. St. Clair, Esq. Jeanne Galvin, Assistant Attorney General, represented the State. Christopher Munns, Assistant Attorney General, Solicitor General's Office, advised the Board. Debbie Rudd moved that the Board accept Respondent's counteroffer. Victor Hartsfield seconded the motion. The motion was withdrawn. Gabe Corral moved that counsel negotiate a revised Consent Agreement and Order for approval by the Board. Myra Jefferson seconded the motion. The Board voted 6-1 in favor of the motion. Debbie Rudd voted no. The Board noted that the matter was under 12-month file review.

Review and Action Regarding Issues Dealing With Formal Hearing Concerning 2539, Laura J. Kokot.

Respondent did not appear. Jeanne Galvin, Assistant Attorney General, represented the State. Christopher Munns, Assistant Attorney General, Solicitor General's Office, advised the Board. Gabe Corral moved that, based on the expiration of Respondent's 90-day grace period to renew, the Board close the complaint to be reopened and considered in the event Respondent reapplies. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion. Michael Marquess moved that the Board rescind its referral for formal hearing to the Office of Administrative Hearings (OAH). Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Regarding Issues Dealing With Formal Hearing Concerning 2734, Cody J. Turton.

Respondent did not appear. Jeanne Galvin, Assistant Attorney General, represented the State. Christopher Munns, Assistant Attorney General, Solicitor General's Office, advised the Board. Michael Marquess moved that the Board rescind its referral for formal hearing to the Office of Administrative Hearings (OAH). Myra Jefferson seconded the motion. The Board voted unanimously in favor of the motion.

Christopher Munns left the meeting.

Review and Action Concerning 2750, Rodney L. Martensen.

Respondent did not appear. Staff summary was read. Michael Marquess moved that the Board open a complaint for noncompliance. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion. Michael Marquess moved that the Board rescind its prior motion. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion. Michael Marquess moved that, based on the expiration of Respondent's license, the matter be closed to be reopened and considered in the event Respondent renews or reapplies. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2751, Rebecca S. Stuelphagel.

Respondent did not appear. Staff summary was read. Michael Marquess moved that the Board find no violations and that the complaint be dismissed. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2755, Shari L. Brownlee.

Respondent did not appear. Staff summary was read. Debbie Rudd moved that the matter be referred to investigation; and that a copy of the complaint be forwarded to the Arizona Department of Real Estate. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2758, Ronald W. Prychodnik.

Respondent did not appear. Staff summary was read. Debbie Rudd moved that the matter be referred to investigation. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2759, Andrew E. Ament.

Respondent did not appear. Staff summary was read. Michael Marquess moved that the matter be referred to investigation. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2760, Safa P. Sitto.

Respondent appeared with James W. Brown, his mentor. Staff summary was read. Debbie Rudd moved that the Board find no violations and that the complaint be dismissed. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2761, John J. Giordano III.

Respondent did not appear. Staff summary was read. Michael Marquess moved that the Board find no violations and that the complaint be dismissed. Debbie Rudd seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2762, Michael J. Flood.

Respondent did not appear. Staff summary was read. Debbie Rudd moved that the Board find Level II violations and offer Respondent a nondisciplinary letter of remedial action citing violations and requiring remedial education. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2767, Thomas C. Laws.

Respondent did not appear. Staff summary was read. Debbie Rudd moved that the Board find Level I violations and offer Respondent a nondisciplinary letter of concern citing violations. Gabe Corral seconded the motion. The Board voted unanimously in favor of the motion.

APPRAISAL TESTING AND EDUCATION COMMITTEE REPORT

Michael Marquess moved that the Board accept the Committee's recommendations (see attached). Myra Jefferson seconded the motion. The Board voted unanimously in favor of the motion.

Gabe Corral and Cynthia Henry left the meeting. A quorum remained.

COMPLAINT REVIEW

Review and Action Concerning 2741, Mark L. Wirth/2742, Jeff W. Windle/2743, Dawn M. Blaskis.

Respondents appeared. Staff summaries were read. Debbie Rudd moved that the Board find no violations and dismiss the complaints. Victor Hartsfield seconded the motion. The Board voted unanimously in favor of the motion.

Review and Action Concerning 2321, Thomas J. Dozier.

Respondent did not appear. Upon its 12-month file review, the Board instructed staff to proceed with the formal hearing before the Office of Administrative Hearings (OAH).

Review and Action Concerning 2444, Dawna (Rogers) Khoudepaz.

Respondent did not appear. Upon its 12-month file review, the Board instructed staff to proceed with the formal hearing before the Office of Administrative Hearings (OAH) unless settled.

Review and Action Concerning 2453, Jaime Topete.

Respondent did not appear. Upon its 12-month file review, the Board instructed staff to proceed with the formal hearing before the Office of Administrative Hearings (OAH).

Review and Action Concerning 2477, Robert L. VanDyke.

Respondent appeared. Upon its 12-month file review, the Board instructed staff to proceed with the formal hearing before the Office of Administrative Hearings (OAH).

Review and Action Concerning 2481, Daniel W. Mahoney.

Respondent did not appear. Upon its 12-month file review, the Board instructed staff to proceed with the investigation.

Review and Action Concerning 2487, Nathan G. Morris.

Respondent did not appear. Upon its 12-month file review, the Board instructed staff to proceed with the formal hearing before the Office of Administrative Hearings (OAH).

Review and Action Concerning 2502, Clare A. Williamson-Redding.

Respondent did not appear. Upon its 12-month file review, the Board instructed staff to proceed with the formal hearing before the Office of Administrative Hearings (OAH).

Review and Action Concerning 2503, Randall P. Jacobs.

Respondent did not appear. Upon its 12-month file review, Les Abrams moved that the Board rescind its referral to formal hearing before the Board and place the complaint on the next agenda for investigative file review. Michael Marquess seconded the motion. The Board voted 4-1 in favor of the motion. Debbie Rudd voted no.

Review and Action Concerning 2530, Carol J. Lucero.

Respondent did not appear. Upon its 12-month file review, Myra Jefferson moved that, based on the expiration of Respondent's license, the matter be closed to be reopened and considered in the event Respondent renews or reapplies. Michael Marquess seconded the motion. The Board voted unanimously in favor of the motion.

BOARD CHAIRMAN REPORT

None.

EXECUTIVE DIRECTOR REPORT

Debb Pearson reported on the status of the Assistant Attorney General's assignments; advised the complaint answer dates that had been extended by staff; reported the following complaint statistics as of 12/31/08 for calendar years 2006, 2007, and 2008:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Complaints received by Board	209	243	225		
Complaints heard by Board				619	852
<u>OF THOSE COMPLAINTS:</u>					
Complaints dismissed	73	91	65	98	77
Complaints referred to investigation	84	94	61	116	76
Complaints resolved with nondisciplinary letter of concern	30	16	14	20	16
Complaints resolved with nondisciplinary letter of remedial action	11	19	21	18	28
Complaints resolved with disciplinary letter of due diligence	6	13	7	9	13
Complaints resolved with probation	53	59	10	44	66
Complaints referred to informal hearing	67	79	15	79	55
Complaints referred to formal hearing	40	48	8	32	53
Complaints resolved with suspension	28	9	1	4	31
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Complaints resolved with surrender	2	5	2	2	6
Complaints resolved with revocation	2	4	0	4	2
Complaints resolved with cease and desist letters	24	6	0	4	4
<u>Violation Levels:</u>					
I	35	21	17	25	20
II	11	31	26	23	40
III	22	62	10	41	55
IV	4	8	1	6	5
V	33	8	0	5	27
<u>Additional Information:</u>					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	
Jurisdiction Expired & Complaints Closed	21	20	12	11	
Denials of New Applications	5	7	7	5	
Denials of Renewal Applications	2	4	1	0	

reported on the 1/13/09 Arizona Mortgage Fraud Task Force meeting; and reported on the results of a venue search for the Phoenix Board Outreach meetings.

Debbie Rudd moved that staff reserve the Phoenix College auditorium for its two Phoenix Board Outreach meetings. Victor Hartsfield seconded the motion. The Board voted unanimously in favor of the motion.

APPLICATION REVIEW COMMITTEE REPORT

Debbie Rudd reported the following Arizona appraiser and property tax agent information as of December 10, 2008:

	<u>1/07</u>		<u>1/08</u>		<u>1/09</u>
Licensed Residential	1079		1063		841
Certified Residential	977		1131		1248
Certified General	767		799		824
Nonresident Temporary	49	Total 2872	27	Total 3020	38 Total 2951
Property Tax Agents	289		268		285

Michael Marquess moved that the Board accept the Committee's recommendations (see attached). Myra Jefferson seconded the motion. The Board voted unanimously in favor of the motion.

CONFIRMATION OF MEETING DATES, TIMES, LOCATIONS AND PURPOSES

NEW BUSINESS

Discussion and Action Concerning Approval of Reciprocal Agreements with the Connecticut Real Estate Appraisal Commission and with the Idaho Real Estate Appraiser Board.

Michael Marquess moved that the Board approve the reciprocal agreements with the Connecticut Real Estate Appraisal Commission and with the Idaho Real Estate Appraiser Board. Myra Jefferson seconded the motion. The Board voted unanimously in favor of the motion.

Discussion and Action Concerning Attendance on Behalf of the Board at The Appraisal Standards Board (ASB) Meeting, the State Regulatory Advisory Group (SRAG), and the Annual Spring Conference of the Association of Appraiser Regulatory Officials (AARO) to be held April 3-6, 2009, in New Orleans, Louisiana.

Myra Jefferson moved that Debb Pearson represent the Board at the meetings. Victor Hartsfield seconded the motion. The Board voted 3-2 in favor of the motion. Michael Marquess and Debbie Rudd voted no.

Discussion and Action Concerning Complaints Based on Appraisals that have been Altered by Appraisal Management Companies (AMCs).

Although concerned, the Board took no action.

Discussion and Action Concerning Payments Accepted for Appraisals by Appraisal Management Companies (AMCs) as it Relates to A.R.S. § 32-3603(B).

The Assistant Attorney General was instructed to research the matter further.

Discussion and Action Concerning Brokers Price Opinions (BPOs).

Although concerned, the Board took no action.

The upcoming Committee and Board meetings were confirmed as follows:

February

18	Application Review Committee	2:00 p.m.
18	Appraisal Testing and Education Committee	2:30 p.m.
19	Board	9:00 a.m.
27	Phoenix Board Outreach #1	9:00 a.m.

ADJOURNMENT

The meeting was adjourned.

/S/

Lester G. Abrams, Chairperson

RECOMMENDATIONS

COMMITTEE ON APPRAISAL TESTING AND EDUCATION

TO: Board of Appraisal

FROM: Committee on Appraisal Testing and Education

DATE: January 15, 2009

RE: January 14, 2009 Recommendations

As a result of its January 14, 2009 meeting the Committee on Appraisal Testing and Education makes the following recommendations:

I. Action regarding proposed approval of qualifying education courses:

A. Previously approved by the Board:

1. Submitted by American Society of Farm Managers and Rural Appraisers
 - a. **A-113 2008-2009 National USPAP Course**, #ABA 0202-147-03 15 hours
*Jeffry Berg, Kim Frome, Chris Greenwalt, Mark Lewis, Lee Ann Moss, Scott Seely, Julie Young
Recommend approval
2. Submitted by Appraisal Institute
 - a. **General Appraisers Sales Comparison Approach**, #ABA 0207-606-13 30 hours
*Mark Rattermann
Recommend approval
3. Submitted by Arizona School of Real Estate & Business
 - a. **AP-10A Comprehensive Road Map to Supervising Entry-Level Appraisers**, #ABA 0208-733-10 20 hours
*James Adams, Tracey Captain, Earl Cass, Gasper Crimando, Neil Dauler-Phinney, Michael Denious, Thomas Denny, Anthony Dinnell, Bill Dowdy, Richard Fasano, Jacques Fournier, Bill Gray, Thomas Heineman, Randy Helfman, Kathleen Holmes, Faye Humphrey, Kim Kobriger, Gretchen Koralewski, William Kozub, Mark Kramoltz, Don Miner, Roy Morris, Sherry Olson, David Rider, Kevin Rude, Becky Ryan, Ron Schilling, Daniel Smith, Don Sponberg, Rick Turkian, Gerard Vick, Fletcher Wilcox, David Ziegler
Recommend approval

- b. **AP-10B Mastering Unique & Complex Property Appraisal**, #ABA 0208-734-10
20 hours
* Tracey Captain, Earl Cass, Gasper Crimando, Denny, Richard Fasano, Jacques Fournier, Bill Gray, Thomas Heineman, Robert Kaczmarek, Kathleen Holmes, Faye Humphrey, Kim Kobriger, Gretchen Koralewski, Don Miner, Roy Morris, , Becky Ryan, Ron Schilling, Daniel Smith, Rick Turkian, Gerard Vick, David Ziegler
Recommend approval
- 4. Submitted by Hogan School of Real Estate
 - a. **2008-2009 National USPAP**, #ABA 0606-549-03 15 hours
*Roy Morris
Recommend approval
- 5. Submitted by Trans-American Institute of Professional Studies
 - a. **2008-2009 National USPAP Course**, #ABA 0404-350-03 15 hours
* Lynne Heiden, Barry Shea
Recommend approval
- 6. Submitted by Van Education Center
 - a. **Basic Appraisal Procedures**, #ABA D0108-731-02 Distance Education 30 hours
*Burton Lee
Recommend approval

II. Action regarding proposed approval of **continuing education courses**:

A. Previously approved by the Board:

- 1. Submitted by Appraisal Institute
 - a. **Appraising Challenges: Declining Markets & Sales Concessions**, #ABA 0208-742 7 hours
*Mark Rattermann
Recommend approval
 - b. **Online Reviewing Residential Appraisals & Using Fannie Mae Form 2000**, #ABA D0208-743 Distance Education 7 hours
*Mark Rattermann
Recommend approval
 - c. **REO Appraisal – Appraisal of Residential Property for Foreclosure & Pre-Foreclosure**, #ABA 0208-744 7 hours
*Mark Smeltzer
Recommend approval
- 2. Submitted by Arizona School of Real Estate & Business
 - a. **1968 Appraisal Valuation & Current Economic Trends**, #ABA 0302-164 4 hours
*Tracey Captain, Earl Cass, Gasper Crimando, Neil Dauler-Phinney, Bill Dowdy, Richard Fasano, Jacques Fournier, Bill Gray, Kathleen Holmes, Faye Humphrey, Robert Kaczmarek, Kim Kobriger, Gretchen Koralewski, Jim Miller, Don Miner, Roy Morris, Dave Rider, Becky Ryan, Ron Schilling, Julie Sims, Dan Smith, Daniel Smith, Sanders Solot, Rick Turkian, Gerard Vick, David Ziegler
Recommend approval

- b. **2065 How to Appraise Leasehold Interest, #ABA 0302-165** 4 hours
*Tracey Captain, Gasper Crimando, Neil Dauler-Phinney, Richard Fasano, Jacques Fournier, Bill Gray, Kathleen Holmes, Kim Kobriger, Gretchen Koralewski, Don Miner, Roy Morris, Becky Ryan, Ron Schilling, Daniel Smith, Gerard Vick, David Ziegler
Recommend approval
- c. **1254 Appraising Income Producing Property, #ABA 0502-216** 4 hours
*Tracey Captain, Earl Cass, Gasper Crimando, Neil Dauler-Phinney, Richard Fasano, Jacques Fournier, Bill Gray, Thomas Heineman, Kathleen Holmes, Faye Humphrey, Robert Kaczmarek, Kim Kobriger, Gretchen Koralewski, Jim Miller, Don Miner, Roy Morris, Becky Ryan, Ron Schilling, Daniel Smith, Rick Turkian, Gerard Vick, David Ziegler
Recommend approval
- d. **3906 Home Inspection & the Real Estate Industry, #ABA 0203-272**
3 hours
* Lamont Bawden, Tracey Captain, Earl Cass, Gasper Crimando, Neil Dauler-Phinney, Thomas Denny, Anthony Dinnell, James Duke, William Fisher, Jacques Fournier, Bill Gray, Thomas Heineman, Kathleen Holmes, Hos Hoskins, Faye Humphrey, Robert Kaczmarek, Gary Kiggins, Kim Kobriger, Gretchen Koralewski, David Maza, Don Miner, Roy Morris, Paul Rhodes, Becky Ryan, Scott Rychener, Ron Schilling, Larry Schoenberger, Daniel Smith, Dan Smith, Stan Strom, Rick Turkian, Gerard Vick, David Ziegler
Recommend approval
- e. **C6139 Survival Guide to Home Inspection, #ABA 0903-299** 3 hours
*Tracey Captain, Earl Cass, Gasper Crimando, Neil Dauler-Phinney, Thomas Denny, Anthony Dinnell, James Duke, William Fisher, Jacques Fournier, Bill Gray, Thomas Heineman, Kathleen Holmes, Faye Humphrey, Robert Kaczmarek, Gary Kiggins, Kim Kobriger, Gretchen Koralewski, David Maza, Don Miner, Roy Morris, Paul Rhodes, Becky Ryan, Scott Rychener, Ron Schilling, Larry Schoenberger, Daniel Smith, Dan Smith, Vick, David Ziegler
Recommend approval
- f. **C6505 Appraising Manufactured Housing, #ABA 0404-356** 7 hours
*Tracey Captain, Earl Cass, Gasper Crimando, Neil Dauler-Phinney, Jacques Fournier, Bill Gray, Thomas Heineman, Kathleen Holmes, Faye Humphrey, Robert Kaczmarek, Kim Kobriger, Gretchen Koralewski, Don Miner, Roy Morris, Becky Ryan, Ron Schilling, Daniel Smith, Rick Turkian, Gerard Vick, David Ziegler
Recommend approval
- g. **C7115 Uniform Residential Appraisal Report, #ABA 0605-431** 7 hours
*Tracey Captain, Gasper Crimando, Neil Dauler-Phinney, Richard Fasano, Jacques Fournier, Bill Gray, Thomas Heineman, Kathleen Holmes, Faye Humphrey, Robert Kaczmarek, Kim Kobriger, Gretchen Koralewski, Don Miner, Roy Morris, Becky Ryan, Ron Schilling, Daniel Smith, Rick Turkian, Gerard Vick, David Ziegler
Recommend approval

- h. **3247 Commercial Contract Writing, #ABA 0306-515** 3 hours
*Tracey Captain, Earl Cass, Joseph Chandler, Neil Dauler-Phinney, Mike Denious, Bill Dowdy, Terry Foster, Jacques Fournier, Bill Gray, Randy Helfman, Faye Humphrey, Robert Kaczmarek, Charles King, Dan Klobberdanz, Kim Kobriger, Gretchen Koralewski, Bill Kozub, Mark Kramoltz, Greg McGill, Don Miner, Roy Morris, Jeff Pitcher, Dave Rider, Becky Ryan, Ron Schilling, Daniel Smith, Dan Smith, Don Staley, Stan Strom, Rick Turkian, Gerard Vick, Dave Wood
Recommend approval
- i. **C4743 1031 Exchanges/Advanced Structures & Issues, #ABA 0306-513** 3 hours
* Earl Cass, Karin Church, Neil Dauler-Phinney, Jacques Fournier, Bill Gray, Robert Kaczmarek, Jim Miller, Don Miner, Tom Noble, Becky Ryan, Ron Schilling, Dave Tornell, Jeff Young
Recommend approval
- j. **Condominiums, Co-ops, and PUDs, #ABA 1106-593** 7 hours
*Tracey Captain, Earl Cass, Gasper Crimando, Neil Dauler-Phinney, Bill Dowdy, Richard Fasano, Jacques Fournier, Bill Gray, Thomas Heineman, Kathleen Holmes, Faye Humphrey, Robert Kaczmarek, Kim Kobriger, Gretchen Koralewski, Don Miner, Roy Morris, Dave Rider, Becky Ryan, Ron Schilling, Daniel Smith, Rick Turkian, Gerard Vick, David Ziegler
Recommend approval
- k. **Loan Fraud and Other Factors Impacting Residential Real Estate, #ABA 0407-627** 3 hours
* Gasper Crimando, Neil Dauler-Phinney, Bill Dowdy, Richard Fasano, Jacques Fournier, Bill Gray, Robert Kaczmarek, Kim Kobriger, Catherine Kuhn, Don Miner, Roy Morris, Sherry Olsen, Dave Rider, Becky Ryan, Ron Schilling, Daniel Smith, Don J. Spongeberg, Don Staley, Gerard Vick, Fletcher Wilcox, David Ziegler
Recommend approval
- 3. Submitted by Hogan School of Real Estate
 - a. **2008-2009 National USPAP Update, #ABA 0506-538** 7 hours
*Roy Morris III
Recommend approval
 - b. **Private Water Wells, #ABA 1206-601** 3 hours
*Gary Hix
Recommend approval
- 4. Submitted by American Society of Farm Managers & Rural Appraisers
 - a. **A-114 2008-2009 National USPAP Update, #ABA 0305-400** 7 hours
*Jeffry Berg, Kim Frome, Chris Greenwalt, Mark Lewis, Lee Ann Moss, Scott Seely, Julie Young
Recommend approval
- 5. Submitted by Trans-American Institute of Professional Studies
 - a. **2008-2009 National USPAP Update, #ABA 1104-384** 7 hours
*Lynne Heiden, Barry Shea
Recommend approval

- b. **Residential Report Writing Skills**, #ABA 1207-726 7 hours
*Lynne Heiden, Barry Shea, Ann Susko
Recommend approval

B. Not previously approved by the Board:

- 1. Submitted by Appraisal Institute
 - a. **Introduction to Valuation for Financial Reporting**, 7 hours
*Michael Lohmeier
Recommend approval
- 2. Submitted by International Right of Way Association, Chapter 73
 - a. **The Appraisal of Partial Acquisitions**, #401 34.25 hours
*Randy Williams, Jeffrey Swango
Recommend approval
- 3. Submitted by McKissock
 - a. **Appraising in a Changing Market**, 7 hours
*Wally Czekalski
Recommend approval
 - b. **Current Issues in Appraising**, 7 hours
*Wally Czekalski
Recommend approval

III. Discussion and possible action regarding proposed approval of revision of course hours:

- A. Submitted by Appraisal Institute
 - 1. **Online Business Practices and Ethics**, #ABA D0705-453 Distance Education 5 hours
Recommend approval
 - 2. **Business Practices & Ethics**, #ABA 0608-791 5 hours
Recommend approval

IV. Action regarding proposed continuing education credit:

- A. Submitted by Arizona School of Real Estate & Business
 - 1. David Ziegler
 - (a) **AP-04 Residential Market Analysis & Highest & Best Use**, ABA 0607-650-04 4 hours
 - (b) **AP-05 Residential Appraiser Site Valuation & Cost Approach**, ABA 0607-652-06 4 hours
 - (c) **AP-01 Basic Appraisal Principles**, ABA 0906-569-01 8 hours
 - (d) **AP-02 Basic Appraisal Procedures**, ABA 0906-570-02 4 hours
Recommend approval

**RECOMMENDATIONS
COMMITTEE ON APPLICATION REVIEW**

To: Board of Appraisal

From: Application Review Committee

Date: January 15, 2009

Re: January 14, 2009 Recommendations

I. Report on number of Arizona Appraisers and Property Tax Agents:

	<u>1/07</u>		<u>1/08</u>		<u>1/09</u>
Licensed Residential	1079		1063		841
Certified Residential	977		1131		1248
Certified General	767		799		824
Nonresident Temporary	49	Total 2872	27	Total 3020	38
Property Tax Agents	289		268		285
					Total 2951

II. As a result of its **January 14, 2009 meeting the Application Review Committee makes the following recommendations:**

A. To take no action:

Regarding resolution of complaint filed with the North Carolina Appraisal Board concerning Brandon L. Hawks, Arizona Certified General Real Estate Appraiser 31589

B. To approve the following applications as substantively complete:

1. Renewal applications:

21472 Andrew E. Ament
30499 Charles G. Argianas

Staff was instructed to request appraisals on pending civil & criminal actions submitted.

2. Certified General by exam unless noted otherwise:

7604 Brad D. Mazerolle
7605 Julie Frost
7607 Alex J. Hoenig (by reciprocity)

C. To approve the following applications as substantively complete and confirm the issuance of the following license/certification:

1. Reciprocity

22045 William F. Cook
22046 Jeffrey A. Payne

2. Nonresident Temporary

TP41118 Clint W. Bumguardner
TP41119 Elizabeth M. Kiley

D. To disapprove the following applications as substantively incomplete and hold until substantively complete:

7612 Shirley A. Wehking (by reciprocity)

III. Applications Pending - Substantively Incomplete:

7376 Bagus Priambodo (by reciprocity)
7428 Carl Parker III (by reciprocity)
7555 Glen A. Gray, Jr.
7587 Keith T. Kavula (by reciprocity)
7591 Ilona Allard (by reciprocity)
7599 Mitchell J. Perlow (by reciprocity)

Notification of applicants with substantively incomplete applications who have not responded to the Committee's request for additional information. Pursuant to R4-46-202(D) applicants have up to a year to meet all requirements for license/certificate or applicant's file is to be closed by the Board and applicant shall reapply.